

COVID-19 SECTOR IMPACTS AND OUTLOOKS

Research & Interview Insights

June 2020



The James Irvine
Foundation



APPROACH

We conducted research and interviews with employees across key industries to understand the impact of COVID-19 and the resulting potential threats and areas of opportunity relevant to Irvine’s strategy

As Irvine seeks to navigate a world remade by COVID-19, understanding what is happening in select industries is key to inform investments and identify future opportunities to partner with employers. In our conversations, we sought to understand how the market for low-wage workers is shifting — how industries will grow or decline and what impact this will have on low-wage workers, what new talent needs and channels will emerge, and what macroeconomic factors are uniquely impacting low-wage workers.

In June 2020, we interviewed 20 individuals from 17 organizations (listed below). We held ten interviews (individual and group) across seven industries (retail, food service, healthcare, technology, manufacturing, agriculture) and three convening bodies (Silicon Valley Community Foundation, LA Coalition, California Business Roundtable). Additionally, we conducted supplemental desk research on three sectors not covered in our interviews: construction, transportation & warehousing, and arts, entertainment & recreation, given the representation of low wage workers across these sectors.

| Sector | Interviewees (Region) |
|---------------|---|
| Retail | Goodwill Industries (San Diego), Gap Inc. (Statewide) |
| Food Service | Salt Partners Group (Bay Area), Ponce’s Restaurants (San Diego) |
| Healthcare | Futuro Health (Statewide), Community Medical Centers (Fresno), Calbright College (Statewide), Kaiser Permanente (Statewide) |
| Technology | Google.org (Statewide / Global), Facebook (Statewide / Global) |
| Agriculture | Driscoll’s (Salinas), Organic Girl (Salinas) |
| Manufacturing | CA Manufacturing & Technology Association (Statewide), Manufacturers’ Council of Inland Empire (Inland Empire) |
| Other | Silicon Valley Community Foundation (Silicon Valley), LA Coalition for the Economy & Jobs (Los Angeles), California Business Roundtable (Statewide) |

KEY INSIGHTS ACROSS EMPLOYER CONVERSATIONS

| Category | Headline | Themes |
|--------------------------------------|---|--|
| Diversity, Equity, & Inclusion (DEI) | As conversations around DEI rise in society given today's racial justice movement, employers said they are discussing DEI in the workplace but few offered concrete solutions | <ul style="list-style-type: none"> • The current social unrest and racial justice movement are bringing discussions about DEI to the forefront of organizations • There is skepticism about whether this movement will create actual change in businesses • Insufficient focus on DEI is an issue at all levels of the talent pipeline from hiring and training to upskilling and retaining • The COVID-19 crisis is exacerbating issues of inequity for people of color and other disadvantaged individuals • Affordable housing and childcare were mentioned several times as key issues to address in order to achieve greater DEI |
| Employers | Employers noted great uncertainty and often isolation from their peers, causing challenges in planning and decision-making | <ul style="list-style-type: none"> • People varied widely in their perspectives from “doom and gloom” to “very optimistic” • There is <u>not</u> a lot of collective thinking, convening, or talking between employers • Employers feel planning is challenging and they cannot make longer term commitments to their employees right now |
| Workers | Low-wage and frontline workers are being hit hardest by the crisis and face a bleak outlook in future employment | <ul style="list-style-type: none"> • Employers aren't thinking about their business with Irvine's lens of “CA low-wage workers” • Employers recognize that low-income and minority workers are being hit hardest by the health and economic crises • Rehiring has been challenging for some employers; some note employees are incentivized to stay on unemployment rather than return to work due to higher income on unemployment and fear of safety and health risks in the workplace • Addressing some credentialing challenges could open more opportunities to low-wage workers, particularly in health care |
| Jobs/Work | There is great uncertainty about the future of jobs, but many new aspects of work will be permanent and shape the skills needed in any future | <ul style="list-style-type: none"> • No one really knows which jobs are coming back and at what magnitude • Work itself has changed due to social distancing, digital adoption, and fear • Many aspects of the “new way of working” are expected to stay, bringing about benefits for worker safety and wellbeing but increasing costs for employers • Upon reopening, many businesses will bring back only a portion of their workforce |

KEY INSIGHTS

| Category | Headline | Themes |
|------------|---|--|
| Industries | Healthcare shows the most immediate promise for low-wage workers, while opportunities in many other industries face great uncertainty | <ul style="list-style-type: none"> Healthcare has potential opportunities for low-wage workers with increasing demand expected in mental health, home health, and environmental services, and more interest from employers in sourcing from local communities While agricultural demand has been stable during the pandemic, the work itself is not desirable for most US-born workers due to low wages, poor benefits, and lacking worker protections Manufacturing has potential as it has been relatively resilient during the pandemic; the industry suffers from a narrative problem, which can prevent workers from entering the field Food service and retail have been hit hard and will return at limited capacity upon reopening, creating a long-lasting challenge for this labor force |
| Policies | Policy change is not top of mind for most employers; with some citing how current policy even hinders them from doing well by their employees | <ul style="list-style-type: none"> Agriculture requires major policy change regarding immigration Many employers noted waiting to see actions from public sector versus advocating as employer leaders Some people feel as though policies restrict their ability to treat their workers well Unclear and county-based policies regarding COVID safety and reopening make decision-making and planning nearly impossible for employers right now |

HOW TO READ THE SNAPSHOT/DATA SOURCES

COVID-19 Sector Impact Indicators

- Each of the following industry snapshots has an indicator in the top right corner to show the effect of COVID-19 on the sector. The indicators consider the sector as a whole across the United States, not specifically the impact on low-wage workers.

Deloitte created COVID-19 Sector Heat Maps to help leaders understand the pandemic's impact on the sectors they operate in. Here, we include these indicators as one factor to determine the state of the industry and areas of opportunity for Irvine to act.

Color-coding for impact:

- Positive outlook
- Neutral or low impact / loss
- Significant disruption, likely financial impact loss
- High impact on businesses trading & cash flows

Industry name according to Deloitte Heat Maps*

Description of impact

Agribusiness: High impact on businesses trading & cash flows

**If the industry has one or more sub-sectors listed in the heat maps, indicators for each sub-sector will be included*

Data Sources (all CA-based except for indicators)

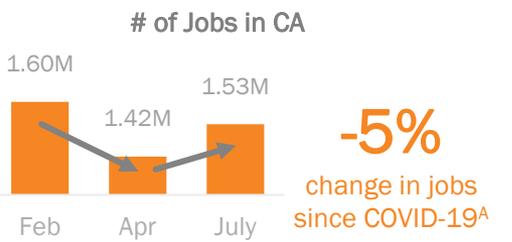
- Indicators: [Deloitte COVID-19 Sector Heatmaps](#)
- # of Jobs in CA (does not include self-employed workers, includes furloughed workers if they received pay during the period cited): [Employment Development Department, 2020](#)
- Low-Wage Worker Information: [UC Berkeley Low-Wage Data Explorer, 2017](#) (defined as <\$14.35/hour)
- Small Business Information: [Employment Development Department, 2019](#) (defined here as <50 employees)
- Average Weekly Pay: [CA Quarterly Census of Employment and Wages, 2018](#)

HEALTHCARE

Health care providers, health plans, & payers:
Significant disruption, likely financial impact loss¹

INDUSTRY DATA

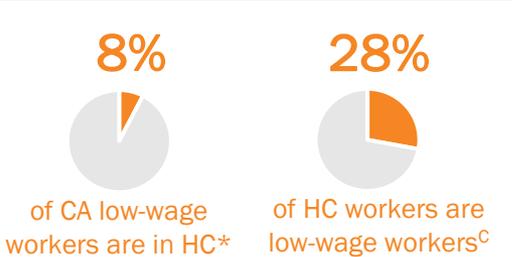
1 in 11 Jobs in CA were in healthcare in Feb
\$1,268* average weekly pay



SMALL BUSINESS DATA

95% of businesses have <50 employees
 These small businesses employ **36%** of the healthcare workforce^B

LOW-WAGE WORKER DATA



*Ranks 4th – out of overall low-wage workers
 Ranks 2nd - Black workers
 Ranks 3rd - Asian workers
 Ranks 4th – Multiracial & White workers
 Ranks 6th - Latinx workers

Opportunities

- **Telehealth** has proved to be effective and there will likely be job growth supporting this area
- **Mental health** needs exacerbated by COVID-19 and shelter-in-place may cause more demand for mental health occupations that don't require Master's degrees, and pathways for other medical staff to enter mental health
- **Environmental services (i.e. sanitation)** jobs are growing due to higher sanitation standards
- **Home health** is growing as a way for people to avoid hospitals, it is also a more cost-effective model
- **Contact tracing** is a huge need right now, and there is a need for central coordination of counties and effective models that can be scaled (right now it is being done on small scales at a local level)
- The rise in **online education and stackable credentials** allows employees to upskill while they continue working
- **Assessing social determinants of health** (i.e. food access, domestic violence) can provide intervention points that prevent later burden on the medical system

Threats

- While **contact tracing** is an important need right now, there is a **lack of coordination** at a federal or state level to organize and execute this effort
- A large **state deficit may cause cuts to community colleges**, and specifically, career technical education, jeopardizing an essential pipeline for new skilled healthcare workers
- While **home health** is growing, it's difficult to attract talent due to the low pay and work environment
- There will be a **big strain on health systems** when unemployed people go onto Medicaid, as the reimbursement rates are significantly lower than private plans
- There may be **lasting healthcare impacts of COVID** (e.g. patients that never fully recover, conditions that were not caught/treated as a result of delayed screening, outbreaks due to delayed vaccination of kids)

Implications for Irvine

- There is **no entity that has the capacity/scale to convene healthcare providers** across California, but there is a need for discussions to:
 - Revisit entry level roles in healthcare and the barriers to entry (e.g. mental health)
 - Develop training pipelines to entry-level roles, as well as opportunities to advance to higher paying roles over time (e.g. from Environmental Services to a CNA)
 - Address public health needs collaboratively (e.g. hiring and training contact tracers who can then serve as Community Healthcare Workers)
- Irvine may consider how to have these conversations regionally where entity or employer partnerships already exist; alternatively, they can tap into groups that were convened for High Roads Training Partnerships

A) Dentist offices experienced the biggest decline at -15% while hospitals had the lowest impact at -2%. B) Hospitals with <50 employees only employ 1% of the total hospital workforce. C) 46% of nursing workers are low-wage compared to 29% for outpatient services and 12% for hospital workers. 28% = weighted average. *Weekly pay for nursing/residential care = \$730. Note: Social Assistance (family services, child day care services, etc.) is excluded from this slide. Social Assistance consisted of 782K jobs in May, nearly 100% made up of small businesses, and has a high rate of low-wage workers (49% of the sub-sector). Weekly pay is \$408.

APPENDIX

OTHER INFORMATION/RESOURCES

Deloitte COVID Resources: [COVID-19 Sector Heat Maps](#), [Deloitte COVID-19 Insights by Sector](#)

Other Information: See Appendix for information from the Schultz Family Foundation webinar focused on "COVID-19 and Youth Employment: Latest Economic Signals"

Industry outlooks:

- [12 Industry Channels Expected to Thrive Post-COVID-19](#) // [Colliers International](#)
 - *E-commerce retailers, industrial real estate, augmented reality, robotics, 5G and bandwidth requirements, virtual meetings, online groceries and last-mile distribution centers, freezer and cooler supply chain, dark kitchens, reverse globalization, supply chain resilience, e-learning*
- [5 Industries Set to Outperform Due to COVID-19](#) // [IbisWorld](#)
 - *Courier pickup and delivery services, book stores, online grocery stores, sanitary paper product manufacturing, buy-now-pay-later*
- [4 Industries that are Still Hiring in the Midst of COVID-19](#) // [Forbes](#)
 - *Pharmacies, teleworking software, grocery stores, tech support*
- [Industries that Could Boom After the Coronavirus Pandemic](#) // [MSN Money](#)
 - *Virtual meeting providers, cybersecurity, e-learning resources, online fitness, video games, movie streaming services, films, home grocery delivery, food and drink delivery, online shopping, retail, beauty, legal services, pharmaceuticals, cleanliness products, personal protection equipment, remote medical services, eco-friendly technologies, experiences*

The Gig Economy Post-COVID-19:

- [After COVID, We May Be in a Volatile Gig Economy that Relies Heavily on the Internet](#) // [CNN Business](#)
 - *Small businesses are struggling to stay afloat and people are already relying more on internet gigs. Experts predict that post-pandemic, these trends will continue as we shift toward a more precarious gig economy that relies heavily on the internet*
- [The Last Recession Gave us the Gig Economy. COVID-19 Could Help Reimagine It](#) // [Fast Company](#)
 - *While companies in this space are making topical changes to address the immediate concerns of providing in-person services during the coronavirus, this pandemic provides a good opportunity for a broader evolution of the independent economy. Finding that better path will require a shift in how we think about building technology for freelance workers.*
- [The Coronavirus is Cutting Into Gig Worker Incomes as the Newly Jobless Flood Apps](#) // [Time](#)
 - *As the U.S. unemployment rate approaches 15% and as the International Monetary Fund predicts a 3% drop in the global economy, people who have relied on gig work for income are seeing their earnings plummet as more people compete for jobs.*
- [Coronavirus and the Gig Economy](#) // [NPR](#)
 - *Without shoppers and delivery workers, the economy would likely grind to a halt. They're providing an essential service. But they're not being treated that way. Their pay is low, they don't have workplace protections, like job security and healthcare, and in some cases, their employers aren't even providing the bare minimum of physical security as they go out and risk their health each day.*